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ANNUAL REPORT

for the year ended
May 31

1967

GENERAL OFFICES: 2727 SOUTH TROY STREET, CHICAGO, ILLINOIS 60623

CANADIAN OFFICE: 43 UPTON ROAD, SCARBOROUGH, ONTARIO, CANADA

D. A. STUART OIL CO., LIMITED



D. A. STUART OIL CO., LIMITED

*Serving the metal working industry
for over 100 years*

**DIRECTORS
and OFFICERS**



Directors

JOHN D. BRYCE
M. CLIFFORD DEANS
DANIEL GIANNINI
RAYMOND M. LARSON
GORDON McMILLAN
HERBERT W. SALTHOUSE
JAMES P. TOMLINSON

Officers of the Company

Chairman of the Board

JOHN D. BRYCE

President & General Manager

JAMES P. TOMLINSON

Vice-President & General Sales Manager

RAYMOND M. LARSON

Treasurer

HARRY O. BUNN

Secretary

HERBERT W. SALTHOUSE

Transfer Agents and Registrars

NATIONAL TRUST COMPANY LIMITED
21 KING STREET EAST
TORONTO 1, ONTARIO

D. A. STUART OIL CO., LIMITED
2727 S. TROY STREET
CHICAGO, ILLINOIS 60623

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS

Your Directors submit herewith the Annual Report of your Company, including the financial statements for the year ended May 31, 1967, and the Auditors' Report dated July 31, 1967. This was our 102nd year of service to the Metal Working Industry.

The consolidated operating profits for the fiscal year, before taxes, were \$1,083,039. as compared to \$1,179,698. for the previous year. After providing \$511,218. for taxes on income, the net profit for the year ended May 31, 1967, amounted to \$571,821. as compared to \$618,019. for the previous year. This represents earnings of \$5.01 per share (U.S. dollars) as compared to \$5.42 a share (U.S. dollars) for the year ended May 31, 1966.

SALES

The consolidated sales were \$10,636,223., up \$177,177. from the previous year figure of \$10,459,046. Competitive pricing conditions and starting up costs on new projects resulted in slightly lower profit margins.

A new D. A. Stuart Oil Company was formed in Argentina the latter part of this fiscal period. Production facilities are being installed at Buenos Aires and a new marketing organization formed. This subsidiary company will be the nucleus for South American production and marketing.

Sales of the Canadian and English companies continued at a good level. However, increased costs resulted in lower net profits for both these operations. Steps have been taken to rectify this situation.

RESEARCH

In recent years, much of the growth and progress of your Company has come from new and improved products developed through research activities. Research effort has concentrated on chemical specialty products of the highest quality. These products emphasize to the users a production superiority rather than a competitive price. Increased sales growth and product diversification have created greater opportunities and responsibilities for new product development and the need for a coordinated research program of maximum effectiveness. To meet this requirement, a new research group is being formed. This



group will be free of any production or quality control responsibility and, therefore, will be in a position to assess new techniques and procedures for production as well as evaluate new product development.

DIVIDENDS

During the year, four quarterly dividends and two extra dividends were paid, totalling \$2.10 per share (Canadian dollars). Income retained was \$349,917.

PRODUCTION

Modernizing existing production equipment and installation of new production units cost \$65,000. in the United States and \$15,000. in the Wolverhampton, England, plant.

The Company's plant on 47th Street in Chicago, formerly leased, was purchased outright for \$165,000. cash.

Production units capable of producing quality specialty products in tank car quantities have been installed in and are now operating there. Also, the most modern equipment available for producing alkali cleaning compounds has been purchased and is presently being installed at the number two building of that plant.

EMPLOYEES

This report is a comprehensive statement of the financial affairs of your Company, and details the production, research, and marketing activities of the organization. No financial value can be determined on our greatest asset — the loyalty and enthusiasm of our employees and their attention to duties assigned to them. Their efforts are sincerely appreciated by the management and directors.

On behalf of the Board of Directors

JOHN D. BRYCE
Chairman of the Board

JAMES P. TOMLINSON
President and General Manager

August 4, 1967
Toronto, Canada



D. A. STUART OIL CO., LIMITED AND

Incorporated under the laws of Ontario

CONSOLIDATED BALANCE SHEET

(with comparative figures for 1966)

ASSETS

	1967	1966
Current assets		
Cash	\$ 357,744	\$ 322,459
United States Treasury Notes	197,250	197,250
Accounts receivable	1,359,014	1,295,524
Inventories, at the lower of cost and market	930,576	836,693
Drums, other containers and supplies	135,919	145,234
Advances and prepaid expenses	73,851	82,075
	<u>3,054,354</u>	<u>2,879,235</u>
Marketable securities (market value 1967, \$19,019; 1966, \$28,861; Canadian dollars)	<u>34,308</u>	<u>34,308</u>
Other Investments		
Shares in other companies, at cost (market value not determinable)	29,271	29,271
Canadian special refundable tax	25,891	2,508
Life insurance, cash surrender value	1,341	
	<u>56,503</u>	<u>31,779</u>
Fixed assets , at depreciated values as appraised by The American Appraisal Company as at June 1, 1952 with subsequent additions at cost (note 2)		
Land, buildings and equipment	2,361,107	2,093,324
Less accumulated depreciation since date of appraisal	1,004,992	896,476
	<u>1,356,115</u>	<u>1,196,848</u>
Formulae, trademarks and goodwill, at cost	<u>80,771</u>	<u>80,771</u>
	<u>\$4,582,051</u>	<u>\$4,222,941</u>

Approved on behalf of the Board:

JOHN D. BRYCE, Director.

JAMES P. TOMLINSON, Director.

TS WHOLLY OWNED SUBSIDIARIES

HEET — MAY 31, 1967

res for 1966)

LIABILITIES

	1967	1966
Current liabilities		
Accounts payable and accrued liabilities	\$ 704,743	\$ 505,815
Income taxes payable	92,424	162,473
Other taxes payable	39,469	56,445
Dividend payable	31,639	31,724
Liability for returnable containers	58,963	61,588
Principal instalments due within one year on bank term loan	80,000	80,000
	<u>1,007,238</u>	<u>898,045</u>
Long-term debt		
5% Bank term loan, payable \$20,000 quarterly	100,000	200,000
Less principal instalments due within one year included under current liabilities	80,000	80,000
	<u>20,000</u>	<u>120,000</u>
Total liabilities	<u>1,027,238</u>	<u>1,018,045</u>

SHAREHOLDERS' EQUITY

Capital stock		
Authorized, 200,000 common shares of no par value		
Issued, 114,064 shares	424,608	424,608
Retained earnings (note 3)	3,130,205	2,780,288
	<u>3,554,813</u>	<u>3,204,896</u>
	<u>\$4,582,051</u>	<u>\$4,222,941</u>



D. A. STUART OIL CO., LIMITED AND

CONSOLIDATED STATEMENT OF INCOME

Year ended May 31, 1967

(with comparative figures for 1966)

	1967	1966
Sales	\$10,636,223	\$10,459,046
Cost of sales	7,682,532	7,480,878
Gross margin	2,953,691	2,978,168
Selling and administrative expenses	1,874,402	1,789,596
Interest on long-term debt	6,410	12,250
	1,880,812	1,801,846
	1,072,879	1,176,322
Income from investments	10,160	3,376
Income before undernoted taxes	1,083,039	1,179,698
Taxes on income	511,218	561,679
Net income for year	\$ 571,821	\$ 618,019
Net income per share	\$ 5.01	\$ 5.42

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year ended May 31, 1967

(with comparative figures for 1966)

	1967	1966
Retained earnings at beginning of year	\$ 2,780,288	\$ 2,374,029
Net income for year	571,821	618,019
	3,352,109	2,992,048
Dividends (\$2.10 per share in 1967, \$2.00 in 1966; Canadian dollars)	221,904	211,760
Retained earnings at end of year	\$ 3,130,205	\$ 2,780,288

TS WHOLLY OWNED SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

Year ended May 31, 1967

(with comparative figures for 1966)

	1967	1966
Source of funds		
Operations		
Net income for year	\$ 571,821	\$ 618,019
Add depreciation, which does not involve an outlay of funds	109,798	111,548
	<u>681,619</u>	<u>729,567</u>
Use of funds		
Dividends	221,904	211,760
Additions to fixed assets (net)	269,065	155,314
Reduction of bank term loan	100,000	100,000
Canadian special refundable tax	23,383	2,508
Life insurance, cash surrender value	1,341	
	<u>615,693</u>	<u>469,582</u>
Increase in working capital	65,926	259,985
Working capital at beginning of year	1,981,190	1,721,205
Working capital at end of year	<u><u>\$2,047,116</u></u>	<u><u>\$1,981,190</u></u>

TEN YEAR COMPARATIVE REVIEW OF OPERATIONS

	Sales	Net income before taxes	Taxes on income	Net income for year	Dividends declared	Income retained
1967	\$10,636,223	\$1,083,039	\$ 511,218	\$ 571,821	\$ 221,904	\$ 349,917
1966	10,459,046	1,179,698	561,679	618,019	211,760	406,259
1965	9,376,649	1,016,465	499,246	517,219	185,280	331,939
1964	7,988,488	912,193	445,319	466,874	171,096	295,778
1963	7,021,539	745,969	365,798	380,171	142,580	237,591
1962	6,612,077	568,391	277,853	290,538	142,580	147,958
1961	5,535,205	491,367	242,668	248,699	170,952	77,747
1960	6,220,555	674,232	340,760	333,472	142,309	191,163
1959	5,273,087	506,145	254,420	251,725	113,173	138,552
1958	4,616,571	283,346	137,955	145,391	138,824	6,567



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended May 31, 1967

1. BASIS OF CONSOLIDATION

The parent company operates in the United States and the accompanying financial statements are expressed in U.S. currency. The accounts of the company's subsidiaries, Canadian D. A. Stuart Oil Co. Limited and D. A. Stuart Oil Co. (G.B.) Limited, have been translated on the following basis:

Current assets and liabilities, at exchange rates prevailing at May 31, 1967;

Fixed assets, capital stock and earnings accumulated prior to June 1, 1964 on the basis of \$1 U.S. = \$1 Canadian and \$2.80 U.S. = £1;

Income and expenses and additions to fixed assets, at average rates during the years since June 1, 1964.

2. FIXED ASSETS

	1967			1966
	Asset value	Accumulated depreciation	Net	Net
Land	186,209		186,209	76,209
Buildings and railway siding	937,382	252,347	685,035	648,432
Factory equipment	957,358	573,145	384,213	370,569
Office and laboratory equipment	192,262	126,968	65,294	62,368
Aircraft	9,984	8,161	1,823	2,487
Automotive equipment	77,912	44,371	33,541	36,783
	<u>\$2,361,107</u>	<u>\$1,004,992</u>	<u>\$1,356,115</u>	<u>\$1,196,848</u>

3. RETAINED EARNINGS

Until the bank term loan has been repaid, the lender's permission is required to declare annual dividends in excess of one-half of the combined net earnings after related income taxes.

Dividends from the subsidiary in the United Kingdom are subject to exchange control authorization, which is usually granted, and withholding taxes at time of payment.

4. OTHER STATUTORY INFORMATION

The following are reflected in net income for year:

	1967	1966
Depreciation	\$ 109,798	\$ 111,548
Remuneration of directors and senior officers (as defined by The Corporations Act, Ontario)		
Directors and officers	174,355	173,576
Other employees	104,435	105,008
	<u>\$ 278,790</u>	<u>\$ 278,584</u>

S WHOLLY OWNED SUBSIDIARIES

AUDITORS' REPORT

To the Shareholders of
D. A. Stuart Oil Co., Limited

We have examined the consolidated balance sheet of D. A. Stuart Oil Co., Limited and its wholly owned subsidiaries as at May 31, 1967 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the aforementioned consolidated financial statements present fairly the financial position of the companies as at May 31, 1967 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
July 31, 1967

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

INTERNATIONAL FACILITIES: UNITED STATES • CANADA •



1

INTERNATIONAL

ARGENTINA, Buenos Aires
D. A. Stuart Oil Co., S.R.L.
AUSTRALIA, New South Wales
Ampol Petroleum Ltd.
ENGLAND, Wolverhampton
D. A. Stuart Oil Co. (G.B.) Ltd
JAPAN, Tokyo
Takata & Co. Ltd.
PUERTO RICO, Hato Rey
General Gases & Supplies
SOUTH AFRICA, Johannesburg
Jet Oil Company (Pty) Ltd.
SCOTLAND, Stirling
C. A. Rankine

2

DISTRIBUTORS

ATLANTA, Ga.
Cowan Supply Company
BIRMINGHAM 2, Ala.
Young & Vann Supply
DENVER, Colo.
Union Supply Co.
GREENVILLE, Miss.
Walcott Chemicals, Inc.
KANSAS CITY, Mo.
Dens-Oil Lubricant Company
LOS ANGELES, California
Los Angeles Oil and Grease
MINNEAPOLIS, Minn.
The Satterlee Company
OKLAHOMA CITY, Okla.
Hart Industrial Supply
PORTLAND, Maine
Loren Dyer Co., Inc.
PORTLAND, Oregon
Davis Industrial Products
SAN MATEO, California
Bay City Oil Company
SEATTLE, Washington
Seaport Supply Company
TAMPA, Florida
Tool & Die Supply Company
TULSA, Oklahoma
Krisman Industrial Supply

3

MANUFACTURING

CHICAGO, Illinois
D. A. Stuart Oil Co., Ltd.
SOMERVILLE, New Jersey
D. A. Stuart Oil Co., Ltd.
SCARBOROUGH, Ontario, Canada
Canadian D. A. Stuart Oil Co., Ltd.
ARGENTINA, Buenos Aires
D. A. Stuart Oil Co., S.R.L.
ENGLAND, Wolverhampton
D. A. Stuart Oil Co. (G.B.) Ltd.

4

WAREHOUSES

DALLAS, Texas
Blue Chip Delivery, Inc.
DAYTON, Ohio
Lewis & Michael Inc.
HOUSTON, Texas
Palmer Whse. & Trans. Co.
INDIANAPOLIS, Indiana
Merchandise Warehouse
Company
SYRACUSE, New York
Robert M. Haley Warehouse

5

BULK PLANTS

CHICAGO, Illinois
CLEVELAND, Ohio
DETROIT, Michigan
SOMERVILLE, New Jersey
SOUTH WINDSOR, Connecticut

• EUROPE



6

EUROPE

- AUSTRIA, Vienna XII
J. Plaut
- BELGIUM, Vilvorde
Ets. Mottay & Pisart, S.A.
- DENMARK, Copenhagen-Gentofte
Firma P. V. Nordentoft
- FINLAND, Helsinki
Oy Teknoma AB
- FRANCE, Paris 17e
Dasco S.A.
- W. GERMANY, Raunheim A.M.
D. A. Stuart Industrie-ele GMBH
- ITALY, Milan
Univers S.p.A.
- NORWAY, Oslo
Axo Kjemiske Fabrikk A S
- PORTUGAL, Lisboa 6
Lubriol-Sociedade Comercial de Repr Lda.
- SPAIN, Madrid 20
Stuart Oil (Espana) S.A.
- SWEDEN, Goteborg 1
A.B. Axel Christiernsson
- SWEDEN, Stockholm 37 - Vartan
A.B. Axel Christiernsson
- SWITZERLAND, Berne
Milloil GmbH
- SWITZERLAND, Berne CH 3001
Walo von Muhlenen Ltd.

